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Market Outlook

February 2023

The New Year started with a bang as the FTSE 100 Share Index pushed towards new highs. This rise came as a result of better profit numbers from M&S, Tesco, Sainsbury, Halfords and a number of other leading companies. The energy and mining sector contributed to this stock market euphoria buoyed by better inflation numbers from the USA and hopes that the UK and the Chancellor may be the recipient of lower gas and petrol prices in his battle to cut inflation in the UK.

As we have said previously, it is the environment leading up to the Spring budget which could set the economic tone for the year. Whilst its far too early to get excited, all the data point to a rapidly falling inflation number by the summer period. Whilst this will not be the end of inflation, it could help the speed and direction of interest rates which will bring relief to all those with a mortgage.

Across the pond, our cousins in North America have also seen a spurt in the main index. Rather than focus on the much narrower Dow Jones Index most investors turn to the S&P 500 Share index which, like its UK counterpoint has had a very strong start to the year. This has also been true of Asia's two predominant stock markets, Hong Kong and Japan both of which have posted promising returns.

As in all rallies, it has not been widespread, rather a number of larger stocks and in particular a limited number of sectors have led the way. This is a feature that is often overlooked. If you are holding an index tracking fund you are automatically a beneficial recipient who can capture this upwards movement whereas, those with a stock picking fund can, assuming the manager has read the market correctly, can capitalise on even stronger growth. This is why, having a well diversified portfolio is often a sensible option.

On the currency front Sterling has traded strongly against both the US dollar and the €uro although, the €uro range has been a lot tighter than the US dollar. This is further demonstrated with Sterling comfortably ahead against the US dollar over three months whilst it remains adrift against its European counterpart.

The upheaval of the Liz Truss premiership may seem like a distant memory and the UK has come a long way since Jeremy Hunt took responsibility for the UK finances. The Government has done much to restore confidence however, confidence is a fragile thing and therefore whilst we remain optimistic for the immediate future it is worth injecting a note of caution before anyone thinks the recent sharp rally is the beginning of a new bull market.

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Outlook by Asset Class/Region

Asset/Region	View
Cash	Neutral
Government Bonds	Positive
Credit Fixed Income	Positive
Property	Negative
UK Equity	Neutral
US	Neutral
Emerging	Neutral
Asia	Neutral
Commodities	Neutral
Alternatives	Neutral
Technology	Positive

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Important information

Pensions are a long term commitment, you may not be able to access your pension funds until the age of 55 (currently), investments can go down as well as up and you might not get back your initial capital. Pension and tax legislation does and can change in the future which could impact your pension.#

Please note: The Financial Conduct Authority does not regulate tax planning.

As a mortgage is secured against your property it may be repossessed if you do not keep up the mortgage repayments.

The value of your investment and any income from it could fall or rise, and you may not get back the full amount you invest.

Past performance is not a reliable indicator of future results. We always recommend you talk to a qualified financial adviser before making any investment decisions.

REEVES GROUP
EST 1996

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Reeves Investment Services part of Reeves Group
Park View House, Benton, Newcastle Upon Tyne, NE7 7TZ

Tel: 0800 989 0029

Email: investments@reevesifa.com